

FISCAL NOTE

Bill #: SB0026

Title: Revise Title Loan Act

Primary Sponsor: Mangan, J

Status: As Introduced

Sponsor signature _____ Date _____

Chuck Swysgood, Budget Director _____ Date _____

Fiscal Summary

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
Expenditures:		
General Fund	\$0	\$0
State Special Revenue	\$0	\$0
Revenue:		
General Fund	(\$32,000)	(\$32,000)
State Special Revenue	\$32,000	\$32,000
Net Impact on General Fund Balance:	(\$32,000)	(\$32,000)

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input checked="" type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. The Montana Title Loan Act was passed by the 2001 Legislature, but did not provide state special revenue funding consistent with the rest of the Banking Division.
2. No "civil penalties" provided for in the bill will be levied during the biennium. Matters serious enough to warrant the penalties are expected to be very rare.
3. The number of title loan licensees will be 40 during each year of the biennium, at \$500 per license per year, generating \$20,000 in license fees each year. (There were 36 title loan licensees at the end of FY 2002. An increase of four is expected throughout FY 2003.) Fees are outlined in 31-1-805, MCA.
4. All licensees will be examined each year. Examinations will average one day each, for 40 licensees, at \$300 per day, generating \$12,000 in examination fees each year. Fee is outlined in 31-1-810, MCA.
5. Fees are currently collected and deposited in the general fund. Depositing the fees in a special revenue account would decrease the amounts deposited in the general fund.
6. The proposal will have no impact on the workload or expenditures of the Banking Division.

Fiscal Note Request SB0026, As Introduced
(continued)

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Revenues:</u>		
General Fund (01)	(32,000)	(32,000)
State Special Revenue (02)	32,000	32,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(32,000)	(32,000)
State Special Revenue (02)	32,000	32,000

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)
No. Title loan companies paying the licensure and examination fees benefit from state oversight and advice. The customers of the licensees generate the income necessary to pay the fees. The customers benefit by dealing with a regulated business.
- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?
Over a number of years the division has moved from being a general fund agency to one funded through state special revenue. Six of the division's eight programs are funded, by statute, in this way, with each program expected to be self-supporting. No general fund appropriation is received for any of the division's operations. Fee revenue is deposited to the special revenue fund and expenses of the program are charged to the fund. Excess revenue, if any, is available for future expenses or fee reductions, as appropriate, for the benefit of the users of the particular program. The lack of a state special revenue designation for this program, combined with no general fund appropriation, means that the expenses of the program are underwritten by other programs within the division.
- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? ☒ Yes ☐ No (if no, explain)
- d) Does the need for this state special revenue provision still exist? ☒ Yes ☐ No (Explain)
- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)
No. The division's budget is prepared and presented in the same manner as most other state agencies and serves as the basis for the legislature's appropriation.
- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)
Yes. The Montana Title Loan Act was passed by the 2001 Legislature to provide state regulation and

Fiscal Note Request SB0026, As Introduced

(continued)

supervision over the operations of certain high-cost lenders. The act requires licensing and regular examinations of the lenders, and also provides complaint and enforcement processes.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

Six of the division's eight programs are, by law, funded by state special revenue and thus have to be self-supporting. The businesses regulated by these programs know that their payments to the state are dedicated to the operation of their regulatory and supervisory programs. State special revenue provides the opportunity to reduce fees to the businesses if fees collected exceed the costs of the program. General fund could be adequately accounted for, however, by special revenue designation for the program, no general fund appropriation is required and the expenses of the program are underwritten by the appropriate industry.